

## Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01

CIAE-00 DODE-00 FPC-01 H-02 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-05 USIA-15 OES-07 SP-02

SS-15 STR-04 TRSE-00 ACDA-10 /115 W

-----051110 110639Z /13

R 110600Z SEP 77

FM AMEMBASSY SANA

TO AMEMBASSY KUWAIT

INFO SECSTATE WASHDC 2331

AMEMBASSY JIDDA

USDOC WASHDC

UNCLAS SANA 3561

E.O. 11652: N/A

TAGS: ENRG, BEXP, YE

SUBJECT: OIL PIPELINE PROJECT IN YEMEN

BEGIN SUMMARY: MINISTRY OF ECONOMY IN YEMEN HAS APPARENTLY LAUNCHED MAJOR PROJECT TO CONSTRUCT A PIPELINE FOR OIL PRODUCTS FROM RED SEA PORT OF SALIF TO HIGHLANDS OF YEMEN. TRADE OPPORTUNITIES WOULD APPEAR EXCELLENT FOR VARIETY OF US FIRMS IN THIS VERY EXPENSIVE PROJECT BUT NEED HELP OF EMBASSY KUWAIT IN PINNING DOWN SOME DETAILS. END SUMMARY.

1. SEPTELS HAVE DESCRIBED OUR FRUSTRATION AND ASTONISHMENT IN ATTEMPTING TO PURSUE MULTI-MILLION DOLLAR PROJECTS WHICH YAR NOW LETTING OUR FOR TENDERS AFTER SCANTIEST PREPARATION AND ADVERTISEMENT.

2. NEW SUCH PROJECT WHICH SURFACED TODAY --- FORTUNATELY WITH MORE LEAD TIME THAN IN PAST --- CONCERNS PIPELINE WHICH IS TO BE BUILT FROM RED SEA PORT OF SALIF UP 7,000-FOOT ESCARPMENT  
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TO MAABAR (SOUTH OF SANA). DSITANCE IS APPROXIMATELY 200 KILOMETERS ALTHOUGH FINAL ROUTE HAS NOT YET BEEN DECIDED. ALSO UNDECIDED IS PIPELINE VOLUME AND ASSOCIATED FACILITIES LIKE SMALL CRACKING UNIT FOR HEAVY OILS, DOCKING FACILITIES IN SALIF, ETC.

3. WHAT SEEMS TO BE WELL ESTABLISHED, BY CONTRAST, IS THAT CONSULTING FIRM CALLED EKONOMAC HAS CONTRACT FROM KUWAITI FIRM OF AL-KHARAFI FOR DESIGN AS WELL AS FEASIBILITY STUDY FOR THIS PIPELINE. ACCORDING TO YEMENI OFFICIALS, FUNDING FOR THIS PROJECT --- SOME THROUGH KUWAIT PIPE COMPANY AND SOME THROUGH PRIVATE KUWAITI CONCERNS --- IS ASSURED. WE HAVE NO ESTIMATE OF SIZE. MINECON IS IN CHARGE LOCALLY AND HAS MADE AGREEMENT (NOT YET RATIFIED BY CABINET) WITH KHARAFI TO BE PRIME CONTRACTOR.

4. WHILE WE WILL CONTINUE TO TRACK DOWN AS MUCH INFORMATION AS WE CAN IN SANA, WE WOULD APPRECIATE ANY EFFORTS EMBASSY KUWAIT COULD MAKE TO INQUIRE ABOUT THIS PROJECT. ROLE FOR US CONSTRUCTION FIRMS AS WELL AS SUPPLIERS OF PUMPS AND OTHER EQUIPMENT WOULD SEEM TO BE VERY LARGE.  
COMMENT: FROM CASUAL OBSERVATION IT WOULD SEEM TO US THAT PIPELINE PROJECT HAS MERIT. AUTOMOBILES AND TRUCKS ARE FLOODING INTO THIS ONCE REMOTE COUNTRY AND ALL FUEL SUPPLIES FOR THE PUPULOUS HIGHLANDS ARE NOW TRUCKED UP FROM THE POOR PORT IN HODEIDA OR SMUGGLED ACROSS THE DESERT FROM SAUDI ARABIA. POOR LAND ROUTES  
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AND VOLUME OF SUPPLIES WHICH TANKERS MUST BRING BY ROAD HAS FORCED PRICE OF GASOLINE UP TO \$1.15 A GALLON DESPITE WILLINGNESS OF ARAB OIL PRODUCERS TO SUBSIDIZE YEMENI PURCHASE PRICE AT 1973 LEVELS. LIMITED EMBASSY STAFF TIME AVAILABLE FOR COMMERCIAL ACTIVITIES MAKES IT IMPOSSIBLE FOR US TO TRACK DOWN HARD DETAILS ABOUT MANY CONTRACTS, WHICH HAVE RECENTLY BECOME IN YEMEN AS LARGE AS SOME CONTRACTS IN OIL PRODUCING COUNTRIES OF THE PENINSULA.  
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## Message Attributes

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**To:** KUWAIT  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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